

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

January 22, 2016

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.: 15HD-201

Hawai'i

Request for Extension of Lease Term Pursuant to Act 207, Session Laws of Hawaii 2011, General Lease No. S-3595, Heide & Cook, LLC, Waiakea, South Hilo, Hawaii Tax Map Key: (3) 2-2-050:086.

APPLICANT AND REQUEST:

Heide & Cook, LLC, a Hawaii Limited Liability Company.

Improvements to leasehold property financed by Lessee, pursuant to Act 207, Session Laws of Hawaii and Sections 171 36(b) in the amount of approximately \$69,000.00.

In order for Lessee to amortize this expenditure, the Lessee is requesting an extension of General Lease No. S-3595 for 10 years, commencing on January 16, 2016 and expiring on January 15, 2026 for an aggregate term (initial 55 year term plus extension) of 65 years.

LEGAL REFERENCE:

Act 207, Session Laws of Hawaii 2011
Sections 171 36(b)(3), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Kanoelehua Industrial Lots situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: 3rd/2-2-50:86, consisting of approximately 11,250 square feet, as shown on the attached map labeled Exhibit A.

AREA:

11,250 square feet, more or less.

ZONING:

State Land Use District: Urban
County of Hawaii CZO: ML-20 Limited Industrial Use

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CHARACTER OF USE:

Commercial use purposes. (amended 2/24/12, D-2)

LEASE TERM:

Original term of 55 years, commencing on January 16, 1961 and expiring on January 15, 2016.

Requested extension of 10 years commencing on January 16, 2016 and expiring on January 15, 2026.

ANNUAL RENT:

Current rent is \$12,840.00, due in semi-annual installments of \$6,420.00 on January 16 and July 16 of each year.

RENTAL REOPENINGS:

Reopenings in the original term were at the end of the 20th, 30th, 40th and 50th years of the term. The last rental reopening occurred on January 16, 2011.

Staff is recommending the rent for the extended term be determined by an appraisal that will cover the period from January 16, 2016 through January 15, 2026.

IMPROVEMENTS:

The Lessee has submitted plans for substantial improvements to the property. These improvements include major repairs and renovations to the existing warehouse (Exhibit B). The cost of these improvements is estimated to be approximately \$69,000.00.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Applicant in good standing confirmed:	YES <u>X</u>	NO <u> </u>

APPLICANT REQUIREMENTS:

Complete improvements to the subject property by July 31, 2017.

BACKGROUND:

General Lease S-3595 dated 1/16/1961 between the State of Hawaii and Harry Hiroo

Nishimura, dba Harry's Refrigeration Service, was issued pursuant to Act 4, Session Laws of Hawaii (First Special Session 1960). Act 4 provided for the direct issuance of leases to victims of natural disaster who were affected by the 1960 tsunami that struck Hilo and other areas of the State. One of the conditions of the lease was that the lessee:

use the leased land for the first five (5) years of the term of the lease for the same business use or undertaking in which the Lessee was engaged at the time of the natural disaster or a use designated by the Board; provided however, that the Lessee may devote or place said demised premises to a use or uses other than refrigeration in character, with the prior written consent of the Board, which consent shall not be unreasonably or arbitrarily withheld....

At its meeting of October 26, 2001, under agenda item D-1, the Board consented to the assignment of GL S-3595 from Harry Hiroo Nishimura, dba Harry's Refrigeration Service to Merle Lam, Successor Trustee of that certain Unrecorded Harry H. Nishimura Revocable Living Trust and that certain Unrecorded Ellen M. Nishimura Living Trust and then from Merle Lam, Successor Trustee of that certain Unrecorded Harry H. Nishimura Revocable Living Trust and that certain Unrecorded Ellen M. Nishimura Living Trust, Assignor, to Richard Alister Wilson and Pamela Jean Wilson, Assignee.

Then at its meeting of January 14, 2005, under agenda item D-11, the Board consented to the assignment of lease from Richard Alister Wilson and Pamela Jean Wilson, husband and wife to Richard Alister Wilson, single. At its meeting of July 13, 2007, under agenda item D-1, the Board consented to the assignment of lease from Richard Alister Wilson to Opportunity Management Hawaii, Inc. (OMHI).

At its meeting of February 24, 2012, under agenda item D-2, the Board consented to the assignment of lease from Opportunity Management Hawaii, Inc. to Hawaii HVAC, LLC.¹ In addition to the assignment, the Board also consented to the amendment of lease terms and conditions to include the most current general lease language regarding assignments, subleases, insurance, and performance bond requirements.

The Applicant has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions. The proposed use is allowable in the county zoning. The Applicant is in compliance with all the lease terms and conditions.

LEASE EXTENSION:

The Lessee's current 55 year lease is set to expire on January 15, 2016 and Lessee is requesting a 10 year extension pursuant to Act 207, Session Laws of Hawaii 2011² in order

¹ Articles of Amendment to Change Limited Liability Company Name were filed with the State Hawaii, Department of Commerce and Consumer Affairs dated June 4, 2012, Hawaii HVAC, LLC became Heide & Cook, LLC.

² Act 207, Session Laws of Hawaii 2011 amends Section 171-36(b) of the Hawaii Revised Statutes by allowing the Lessee to: Extend or modify the fixed rental period of the lease: provided that the aggregate of the initial term and any extension granted shall not exceed sixty-five years.

to amortize the cost of improvements to the property. These improvements involve major renovations to the exterior and interior of the building including the replacement of the warehouse roof along with the replacement of the existing front retaining wall, painting of the interior and exterior surfaces and the installation of a new security alarm system all at a cost of approximately \$69,000.00. An appraisal evaluation performed by Robert G. Bloom, Jr., a certified appraiser, has determined that the economic life of the improvements will exceed the ten-plus year period necessary to amortize the refurbishments.

The subject parcel is located in an area served by aging and/or substandard infrastructure. The area also includes numerous other DLNR parcels currently encumbered by long term leases that are also scheduled to expire between 2016 and 2021. Most of the DLNR leases in this area were established pursuant to Act 4, First Special Session of 1960, enacted after the destruction of the Hilo bay front caused by the 1960 tsunami. Businesses that were severely impacted by the tsunami were given the opportunity to relocate to the newly created industrial area of Kanoelehua. The act provided lessees with an option to purchase the land within two years. Several businesses exercised this option creating an industrial area of mixed DLNR leases and fee simple properties.³

Since the implementation of Act 207, SLH 2011, a number of leases within the Kanoelehua Industrial area have been granted ten year extensions. Several of these leases are in the immediate vicinity of GL S-3595 and are direct leases awarded as a result of Act 4. The other lease, although in the Kanoelehua Industrial Area, is located along Railroad Avenue and was initially awarded through the public auction process.

The East Hawaii economic region is unique in that a majority of the available land suitable for commercial and/or industrial use is under the management of a government agency.⁴ As one of the largest stake holders of commercial/industrial land in the Hilo area, the Department of Land and Natural Resources understands the need for a comprehensive analysis of the area in order to develop an economic strategy that will encourage new enterprises in addition to supporting the established businesses.

With this concept in mind, the Land Division has retained the services of the consulting firm Munekiyo & Hiraga, Inc. for the purpose of providing a feasibility study and analysis of the Kanoelehua Industrial Area in order to determine the future direction of this very important economic area of East Hawaii.

Key elements of the study/analysis will be:

- Determine the market demand for the KIA properties, particularly the demand for industrial-commercial use or some other use for long-term leasing (30 years or more)
- Determine whether some properties should be consolidated and reconfigured to maximize the utility of the land in view of the results from the above findings.

³ There are currently twenty six (26) leases and fifteen (15) fee simple properties within the area set aside as a result of Act 4 First Special Session 1960. The area borders are Kawili St., Makaala St., Pookela St. (both sides) and Wiwoole St.

⁴ The Department of Land and Natural Resources (DLNR) and the Department of Hawaiian Home Lands (DHHL) are the two major land holders in the industrial area of East Hawaii.

- Assess the feasibility and desirability of placing management of the leasehold properties (or clusters of properties) under a master lease (or multiple master leases for each cluster) from the State for industrial, commercial or other uses permitted by the applicable zoning.

The results of this study and public comments thereon will be used to assist the department and the Board in determining the future of the Kanoelehua Industrial Area and create an economic region that will benefit not only the people of East Hawaii, but the State as well.

Staff is recommending that the rent payable for the 10-year extension period commencing January 16, 2016 be determined by immediate appraisal.

RECOMMENDATION: That the Board:

1. Authorize the extension of General Lease No. S-3595 under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - A. The standard terms and conditions of the most current lease extension form, as may be amended from time to time;
 - B. Heide & Cook, LLC. shall complete the renovations and improvements to the warehouse and submit to Land Division staff receipts verifying payment for the improvements by July 31, 2017;
 - C. Review and approval by the Department of the Attorney General; and
 - D. Such other conditions as may be prescribed by the Chairperson, which are in the best interests of the State.

Respectfully Submitted,


Gordon C. Heit
District Land Agent

APPROVED FOR SUBMITTAL:

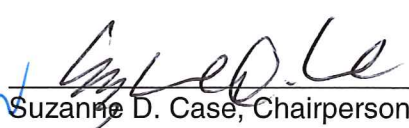
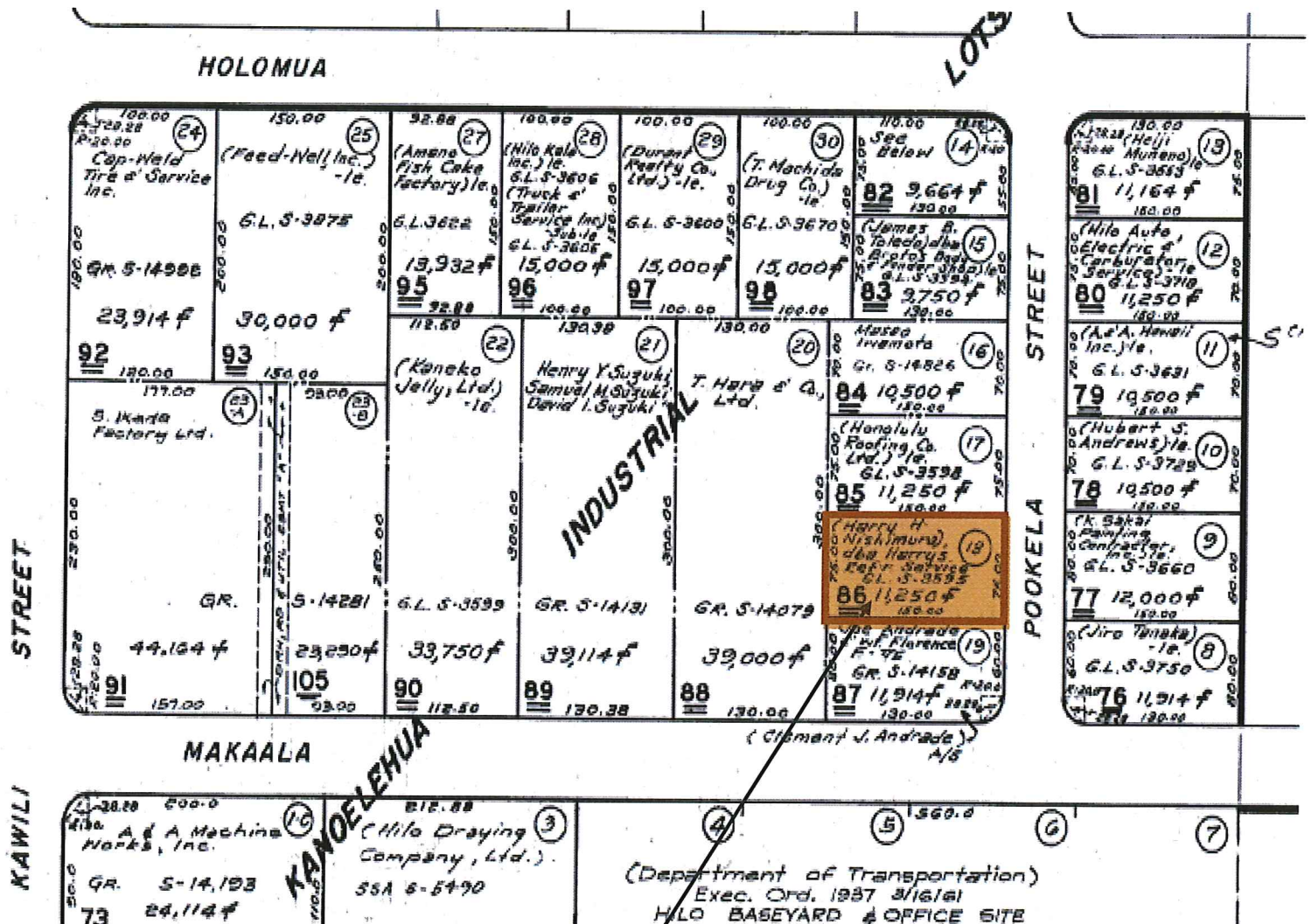

Suzanne D. Case, Chairperson

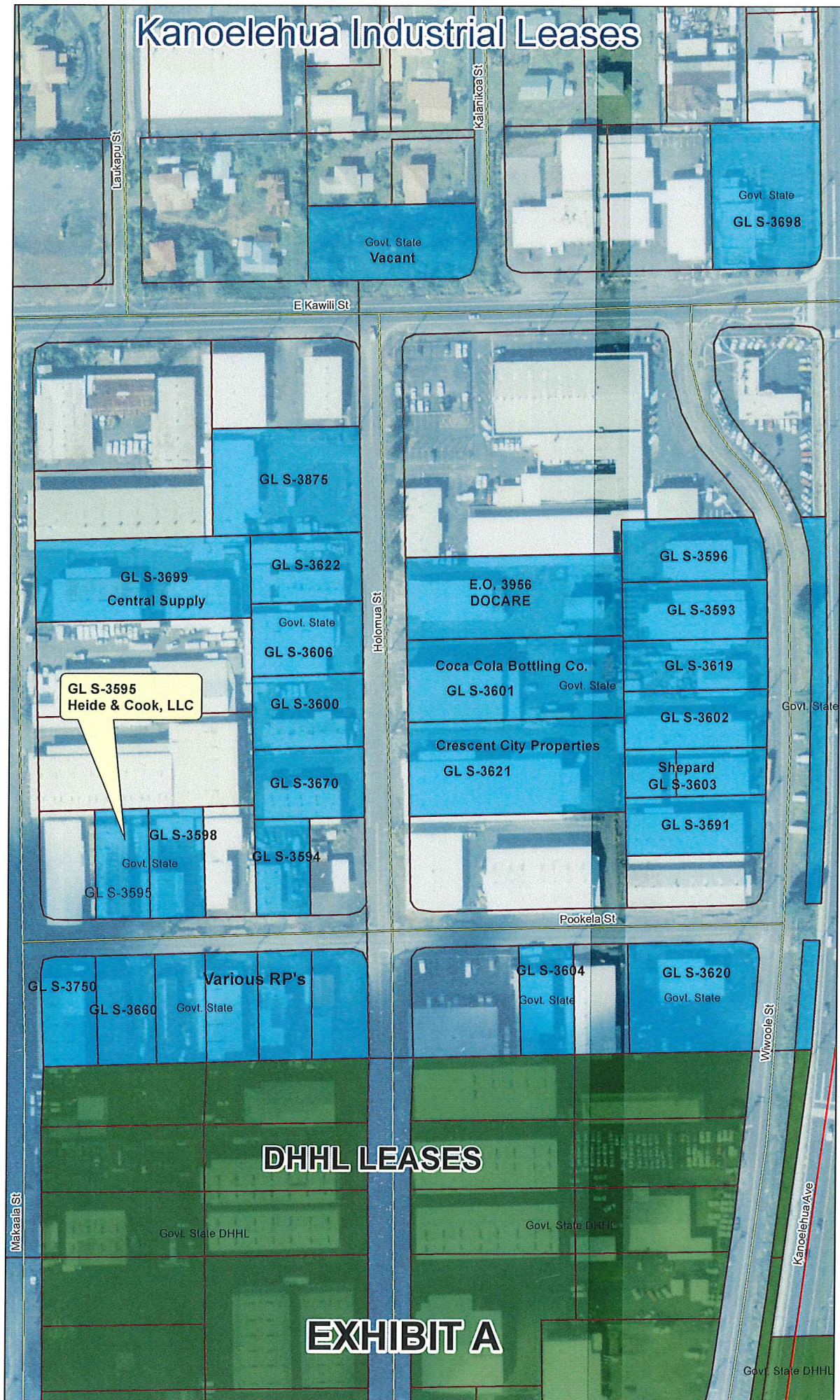
EXHIBIT A

TMK: (3) 2-2-050:086



SUBJECT PROPERTY
GL S-3595

Kanoelehua Industrial Leases



DHHL LEASES

EXHIBIT A

EXHIBIT B



Hilo Roof Coating, Inc.
16-216 Williams Pl.
Keeau, HI 96749
Phone: (808) 966-5422
Fax: (808) 966-6213
hilorooftcoating@gmail.com
Contractors Lic. C-10491

Name Heidi & Cook LLC
Address 11 Pookela St.
City Hilo State HI Zip Code 96720
Phone _____ Mobile _____
Business (808) 935-3231 Fax (808) 934-7955
E-Mail _____

THIS AGREEMENT made this 21st day of October, 2015 between Heidi & Cook LLC hereinafter referred to as the Purchaser and H.R.C. Co., hereinafter referred to as the Seller. WHEREAS, the Purchaser agrees to purchase and the Seller agrees to sell the goods according to the terms and conditions as described in this Agreement. Any modifications or attachments to this sales Agreement must be mutually agreed upon by both Purchaser and Seller and be put into writing and attached herewith. It is hereby mutually understood that both Purchaser and Seller agree to honor this Agreement and to adhere to all the terms and conditions herein contained.

Purchaser agrees to purchase from H.R.C. Co., the following:

1. All the items and services as described below
2. Purchase price.....
3. State Tax 4%.....
4. Sub Total
5. Less Down Payment
6. Total Balance Due upon completion of job.....

The Seller agrees to provide all of the items and services described above at the purchase price agreed upon in this Agreement. The Seller shall meet all commitments as stated in this sales Agreement no later than sixty days from the date of this Agreement; provided, however, that the Seller shall not be responsible for delays not subject to its control, such as shipping delays, strikes, and acts of God. Any holder of this sales Agreement is subject to all claims and defenses which the Purchaser could assert against the Seller of goods or services pursuant hereto or with the proceeds hereof, Recovery hereunder by the Purchaser shall not exceed amounts paid by the Purchaser hereunder.

1. Quotes for reroof:
2. Remove existing metal roof and dispose it away from premise in a proper manner. (This is for both quotes.)
3. Furnish and lay Protector seal on the top of each metal purling to prevent the existing rust touching the new roof. (For both quotes.)
4. Quote # 1 Furnish and install new 24 gauge, prepainted, metal corrugated roof. Roof fastener shall be stainless steel roofing
5. screws, Furnish and install new roof flashing where require. 5 years warranty against roof leakage, after completion of job.
6. This quote shall be \$ 39,900.00 Tax Inc.
7. **Quote # 2** Furnish and install new 20 gauge, prepainted, aluminum standing seam roof. Roof fastener shall be stainless steel
8. sliding clips and screws. 7 years warranty against roof leakage, after completion of job. 35 years Factory's warranty on the roof
9. paint finish. Furnish and install new roof flashings where require. **This quote shall be \$ 49,900.00 Tax Inc.**
10. Note: If any of these quotes is accepted; 50% down payment is require. Thank you. Both quotes does not include any painting,
11. electrical or replacing any metal rafters or metal purlins; however if any of these types of work need it to be done while
12. installing the new roof, it shall be at cost plus basis. (Material & Labor)
13. Note: We will use 20 gauge aluminum standing due to the span of the existing metal purlins are far apart from each rows.
14. Both quotes includes the County Building Permit. All commercial building requires building permit.
15. Note: If all possible; I recommend using aluminum standing seam roof for your building, because aluminum will not rust, rot or
16. crack, it is a maintenance free type of roof. Aluminum will reflect approximately 85% of the sun heat, which means cooler building
17. on the sunny days and warmer during the winter months. On the regular steel types of roof; approximately 5 to 7 years after the
18. roof installation, surfaces rust starting to appear due to the volcano vog and acid rain that we have lot's on the East Side of this
19. Island.
- 20.

NOTICE TO BUYER

Color shall be: chosen from color chart All work will be standard installation. Any other than mentioned above will be of owner's responsibility and expense. Do not sign this agreement before you read it or if it contains any blank space. You are entitled to a completely filled in copy of this agreement when you sign it. Work to start within 120 days, and finished within a reasonable period of time thereafter. In case of cancellation after the work has commenced or refusal to permit the Company to continue performance thereafter, the entire contract price less the actual cost of labor and materials estimated but now already used or allocated to the job, shall become immediately due and payable.

The owner agrees and understands that if the company is obliged to turn this account over to a collector or attorney for collection of the payments due under this contract, the Owner shall pay in addition to said amount all necessary court costs and collection or attorney's fees as permitted by law, not to exceed seventy-five percent (75%) of the balance sought to be recovered. Should any of the payments herein above required to be made in default for more than fifteen (15) days, the Company may at its option declare the entire balance immediately due and payable and bring action as may be necessary, without notice.

This agreement constitutes the entire contract, there being no covenants, promises or agreement either written or oral, except as herein designated. All work to be done on the above property shall be detailed here in HRC Co. Inc., not being responsible for any verbal agreement changing or amending the work.

In the event owner/owners fail to pay HRC Co. in full on this contract, HRC Co. will have the right to file a mechanic lien on the said property of this agreement.

Tax Map Key				
Z	S	PL	PAR	LOT

By: _____
H.R.C. Co. Representative
Purchaser
Date
Approved by: _____
H.R.C. Co. Contractor or Authorized Officer
Purchaser
Date

Note: This agreement shall not be valid unless approved by H.R.C. Co. Contractor. All payments must be made payable to H.R.C. Co.

ESTIMATE AND OFFER

K.H. MASONRY INC.

PHONE: (808) 969-7640

FAX: (808) 969-9406

CONTRACTORS LICENSE #C-28330

DATE: November 11, 2015

NAME: Heide and Cooke Attn: Eric	JOB #16-101
ADDRESS:	
PH:	

We submit our estimate as per plans & specifications:

Date of Plans and Specifications:

SCOPE OF WORK:

1. Excavate and construct CMU retaining wall 64 ft. x 40" high.
2. Wall grouted solid and cap.
3. Saw cut AC and excavate for water line
4. Patch back to match existing.

Materials and Labor - \$15,000.00

Tax 4.166% - \$ 624.90

Total - \$15,624.90

We agree to furnish labor and materials in accordance with the above plans and specification; any additions are considered extra, for the sum of:

****Fifteen Thousand Six Hundred Twenty-Four Dollars and 90/100****

Progress payments are required and final payment is due upon completion. This estimate and offer is good for 30 days. PLEASE RETURN ACKNOWLEDGED AND ACCEPTED SIGNED COPY VIA MAIL OR FAX.

ACCEPTED BY: _____

Owner or Authorized Signature / Date

BY: _____

Keith Hanzawa

Keith Hanzawa KH Masonry

SONITROL

OF HAWAII

Apr. 16, 2014

Sonitrol of Hawaii Quote Prepared For:
Heide & Cook - Hilo (Option #1)
Location Contact: Eric Marushige, Service Supervisor
11 Po'okela Street
Hilo, HI 96720
Phone: (808) 935-3231
eric@heide-cook.com

Message: Thank you for allowing us the opportunity to design and propose a security system to protect your premise. We hope to earn the privilege of your business and having you join our family of satisfied customers.

Heide & Cook - Hilo (Option #1)

Recommended Security Proposed:

1-SONIP Flexibase, 18" enclosure, battery, plug-in transformer
2-Standard Keypad for SONIP
1-CK-FG730 DUAL FLEXGARD AUDIO GLASS BREAK DETECTOR (Intellisense/Honeywell)
4-Audio Sensor
4-TRITECH DS BDL2 Pet friendly (40x40)
1-ATV-DS301 SIREN
1-DOUBLE DOORS (2 PEDESTRIAN DOORS)
2-PEDESTRIAN DOOR or AC SWITCH
1-RJ31X BLOCK & CORD SET

One Time Installation Investment: **\$3,290.00**

Monthly Monitoring Investment: \$90

Includes:
- 24 Hour Monitoring

Optional Equipment and Services:

- TRAVEL EXPENSES (Estimate, 2 men, 1 day, subject to adjustment with real time expenses) \$800
- INSTALLATION PRICE REFLECTS A DISCOUNT BASED ON CLIENT RUNNING WIRES FOR EQUIPMENT
- If an on-site service call is needed, travel expenses will be added to our normal service/parts rate.

Price quote good for a limited time.

Lisa Hamada
Security Consultant
Sonitrol of Hawaii
808-847-5966
P O Box 17928
Honolulu, HI 96817

We appreciate the opportunity to serve you. We will order the equipment and set an installation date with a signed client agreement and a 50% deposit of \$1,645. Final payment, including applicable taxes, is due upon the completion of work outlined in this proposal document, and will allow us to activate your system.